The Wall Street Mega Bailout: Bad News for the World's Hungry

by Annie Shattuck and Eric Holt-Giménez
Published on Friday, October 3, 2008 by CommonDreams.org

Rising food prices are proving deadly for the world's poor. Reeling under a combination of speculation, high oil prices, agrofuels and a weak dollar, one in every six people on earth are going hungry this year. Fully half the world is now at risk of hunger and malnutrition. The current financial crisis that threatens to spread globally can only mean disaster for the world's poor. The crisis is not limited to the developing world. In the United States food stamp enrollment is at an all time high. The 35 million people living below the poverty line-now joined by the 50 million near-poor are turning to the nation's food banks in record numbers. There, pickings are getting slimmer, as food programs strain under a combination of high food prices and shrinking donations.

Unfortunately, the unprecedented $700 billion Wall Street bailout will do nothing to alleviate this festering disaster-in fact, it may make things worse. How? The bailout will increase the U.S.'s national debt to over $11 trillion, calling into question the very creditworthiness of the U.S. Treasury. Debt and uncertainty will further drive down the value of the dollar. A weak dollar means high food prices to consumers because when the dollar decreases in value it takes more dollars to buy the same quantity of food. Though a low dollar might initially stimulate exports, a falling dollar will send food prices steadily upwards. Food prices have already increased 127% since the dollar began to lose value in 2001. The conservative CATO Institute estimates that up to 55% of this year's increase in rice prices was caused by the falling dollar alone.

If the bailout goes through, the poor will pay for Wall Street's greed with empty bellies. There is no consensus among economists that the bail out will fix the financial crisis. If it fails, we will be hit twice: once with rising costs for basic needs like food, heating and transportation, and again with job losses and less economic opportunity.

The massive cash transfer to Wall Street is likely just the beginning of more taxpayer bloodletting. Regardless, simply granting banks billions in corporate welfare doesn't begin to address the root causes of the food or the financial crises. In the long run, the bail out will do nothing to limit the role of index investors in commodities, nothing to reduce food or finance monopolies, and nothing to stabilize the rising prices of food and fuel currently squeezing poor and working families. A bailout is simply what it sounds like: an emergency measure with no attempt at reform.

The FAO estimates it will take $30 billion a year to eliminate global hunger. For the price of the bailout, we could make sure no one on earth goes hungry for the next 23 years. We could re-build food systems as engines for local economic growth. Instead of exacerbating global hunger, for $700 billion dollars we could fully fund the millennium development goals to eradicate global poverty, the root cause of hunger.

Decades of free market fundamentalism has left food systems around the world in tatters and our financial systems poised on the edge of disaster. Instead of throwing money at a system in crisis, we need to use the crisis as an opportunity to fundamentally restructure both food and finance. We need to re-regulate the financial services industry, re-establish national grain reserves, and use anti-trust legislation to break up the power of the oligopolies holding us hostage. Instead of considering a $700 billion dollar gift to financiers, Congress needs to jettison the laissez-faire policies that let Wall Street spin out of control in the first place.

Annie Shattuck and Eric Holt-Giménez of Food First
www.foodfirst.org

Food Not Bombs
P.O. Box 424
Arroyo Seco, NM 87514
575-776-3880
www.foodnotbombs.net